

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2020 Wait List Project
November 11, 2020**

Parkside Phase I, located at 1112, 1114, & 1115 Parkside Street in Salinas, requested and is being recommended for a reservation of \$2,295,223 in annual federal tax credits to finance the new construction of 79 units of housing serving seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Monterey County Housing Authority Development Corporation (HDC) and will be located in Senate District 12 and Assembly District 30.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-20-073

Project Name Parkside Phase 1
Site Address: 1112, 1114 & 1115 Parkside Street
Salinas, CA 93906 County: Monterey
Census Tract: 0004.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,295,223	\$0
Recommended:	\$2,295,223	\$0

Applicant Information

Applicant: Monterey County Housing Authority Development Corporation (HDC)
Contact: Starla Warren
Address: 123 Rico Street
Salinas, CA 93907
Phone: (831) 796-4660
Email: swarren@hdcmonterey.org

General Partner(s) / Principal Owner(s): Monterey County Housing Authority Development Corp.
General Partner Type: Nonprofit
Parent Company(ies): Monterey County Housing Authority Development Corp.
Developer: Monterey County Housing Authority Development Corp.
Investor/Consultant: CSG Advisors, Inc.
Management Agent(s): Housing Authority of the County of Monterey

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 80
No. & % of Tax Credit Units: 79 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Vouchers (100% / 79 Units)

Information

Set-Aside: N/A
Housing Type: Seniors
Geographic Area: Central Coast Region
TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 28	35%
At or Below 50% AMI: 50	40%

Unit Mix

72 1-Bedroom Units
8 2-Bedroom Units
<u>80 Total Units</u>

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
40 1 Bedroom	30%	30%	\$545
3 2 Bedrooms	30%	30%	\$654
31 1 Bedroom	50%	50%	\$909
4 2 Bedrooms	50%	50%	\$1,091
1 1 Bedroom	60%	60%	\$1,091
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,790,156
Construction Costs	\$22,928,827
Rehabilitation Costs	\$0
Construction Contingency	\$2,846,838
Relocation	\$1,200,000
Architectural/Engineering	\$804,750
Const. Interest, Perm. Financing	\$2,916,611
Legal Fees	\$140,000
Reserves	\$307,848
Other Costs	\$1,603,937
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$39,738,967

Residential

Construction Cost Per Square Foot:	\$267
Per Unit Cost:	\$496,737
True Cash Per Unit Cost*:	\$442,466

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank NA	\$27,006,906
City of Salinas	\$977,456
HDC Seller Financing-Land**	\$1,395,000
HDC Seller Financing-Building**	\$2,660,000
Accrued Interest (Seller Financing)	\$196,371
MGP Equity C/O HDC	\$100
HDC Deferred Developer Fee	\$250,000
Tax Credit Equity	\$7,246,412

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank NA	\$11,436,496
City of Salinas	\$764,179
HDC Seller Financing-Land**	\$1,395,000
HDC Seller Financing-Building**	\$2,660,000
Accrued Interest (Seller Financing)	\$196,371
MGP Equity C/O HDC	\$100
HDC Deferred Developer Fee	\$500,000
Solar Tax Credit Equity	\$64,118
Tax Credit Equity	\$22,722,703
TOTAL	\$39,738,967

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Monterey County Housing Authority Development Corporation (HDC) on behalf of the Housing Authority of the County of Monterey

Determination of Credit Amount(s)

Requested Eligible Basis:	\$19,619,445
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$25,505,279
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,295,223
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	CSG Advisors, Inc.
Federal Tax Credit Factor:	\$0.99000

The "as if vacant" land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$19,619,445
Actual Eligible Basis:	\$31,386,500
Unadjusted Threshold Basis Limit:	\$24,096,928
Total Adjusted Threshold Basis Limit:	\$31,725,039

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms (where no VOC adhesives or backing is used)
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all interior floor space other than units (where no VOC adhesives or backing is also used)

Local Development Impact Fees

Tie-Breaker Information

First:	Seniors
Final:	29.899%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations. Annual operating expenses meet or exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 9.0% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions

This project involves the demolition of the existing 88-unit Parkside Manor project and rebuilding it in 2 phases. This first phase will rebuild 80 units on the portion of the Parkside Manor site that currently provides 40 units. In addition, this project will include two 4-story buildings that are connected by bridge-walkways between the upper floors of the two buildings which will allow all tenants access to the elevator which is in one of the two buildings.

The applicant's estimate of the contractor's overhead, profit, and general requirement costs exceeds the 14% limit established under regulation section 10327(c)(1). At the final review, prior to the issuance of the IRS 8609 tax forms, any costs in excess of this limit will not be allowed.

The applicant's estimate of the cash flow resulted in an overage above the limits established by the TCAC regulations. Under regulation section 10327(g), the applicant is allowed to correct for overages of the higher of \$25,000 or 0.5% of gross income at the placed-in-service review, prior to the issuance of the IRS 8609 forms.

The applicant's estimate of local development impact fees included in the project's sources and uses budget and as a threshold basis limit adjustment was \$612,300. However, the three TCAC Attachment 18A forms provided by the applicant only totaled \$399,023. Staff adjusted accordingly.

Resyndication and Resyndication Transfer Event: None.

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1½ miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
SENIOR HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Develop project in accordance w/ requirements: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	113	113	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.